



# Asia Fashion Holdings Limited

(Company Registration No. 41195)  
(Incorporated in Bermuda)

## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018 (“3Q2018”)

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) **An income statement (for the Company and its subsidiaries (the “Group”)) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

#### Consolidated statement of comprehensive income for the Group

	3Q2018 RMB'000 (Unaudited)	3Q2017 RMB'000 (Unaudited)	9M2018 RMB'000 (Unaudited)	9M2017 RMB'000 (Unaudited)
<b>Continuing operations</b>				
<b>Revenue</b>	5,038	-	21,416	-
Cost of sales	(1,808)	-	(6,023)	-
<b>Gross profit</b>	<b>3,230</b>	<b>-</b>	<b>15,393</b>	<b>-</b>
Other operating income	95	350	549	686
Selling and distribution expenses	(409)	(280)	(1,039)	(593)
Administrative expenses	(6,021)	(1,826)	(14,842)	(5,248)
Finance costs	(174)	(445)	(538)	(1,334)
	<b>(3,279)</b>	<b>(2,201)</b>	<b>(477)</b>	<b>(6,489)</b>
Share of profit from associates, net of tax	-	-	-	-
<b>Profit/(Loss) before taxation from continuing operating</b>	<b>(3,279)</b>	<b>(2,201)</b>	<b>(477)</b>	<b>(6,489)</b>
Income tax expense	(744)	-	(3,140)	-
<b>Profit/(Loss) after taxation from continuing operating</b>	<b>(4,023)</b>	<b>(2,201)</b>	<b>(3,617)</b>	<b>(6,489)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive profit/(loss) net of tax</b>	<b>(4,023)</b>	<b>(2,201)</b>	<b>(3,617)</b>	<b>(6,489)</b>
<b>Total comprehensive profit/(loss), net of tax, attributable to:</b>				
Equity holders of the company	(4,023)	(2,201)	(3,617)	(6,489)
Non-controlling interest	-	-	-	-
	<b>(4,023)</b>	<b>(2,201)</b>	<b>(3,617)</b>	<b>(6,489)</b>



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- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

The Group's profit/(loss) before taxation is arrived at after charging/(crediting):

	3Q2018 RMB'000 (Unaudited)	3Q2017 RMB'000 (Unaudited)	9M2018 RMB'000 (Unaudited)	9M2017 RMB'000 (Unaudited)
Interest expenses on:				
- 7% Convertible Bond (S\$2.66M)	-	221	-	671
- 10% Straight Bond (HK\$10M)	-	224	-	663
- 7% Convertible Bond (S\$2.10M)	174	-	538	-
<b>Total Finance Costs</b>	<b>174</b>	<b>445</b>	<b>538</b>	<b>1,334</b>

Note :

- 1) The 7% Convertible Bond payable to Alternus Capital Holdings Limited in the principal amount of S\$2.66 million has been fully settled on 8 June 2017 and hence no further Bond interest has been accrued thereon in this reporting quarter.
- 2) The 10% Straight Bond payable to Prime Pacific Investment Limited in the principal amount of HK\$10 million has been fully settled on 8 May 2017 and hence no further Bond interest has been accrued thereon in this reporting quarter.



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## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018 (“3Q2018”)

1(b)(i) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

### Statements of financial position

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	31 March 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)	31 March 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)
<b>Non-current assets</b>				
Property, plant and equipment	5,820	6,515	1,992	2,724
Investments in subsidiaries	-	-	8	8
Intangible asset	19	20	-	-
	<u>5,839</u>	<u>6,535</u>	<u>2,000</u>	<u>2,732</u>
<b>Current assets</b>				
Other receivables	6,458	29,508	1,470	1,134
Inventories	207	572	-	-
Loan to associated company	61,000	61,000	61,000	61,000
Amount due from associates	22	22	-	-
Amount due from subsidiary	-	-	53,650	5,279
Cash funds	-	6,003	-	-
Cash and cash equivalents	53,685	104,838	67	67
	<u>121,372</u>	<u>201,943</u>	<u>116,187</u>	<u>67,480</u>
<b>Total assets</b>	<b>127,211</b>	<b>208,478</b>	<b>118,187</b>	<b>70,212</b>
<b>Current liabilities</b>				
Accruals and other payables	10,290	143,241	4,790	6,203
Amount due to third parties	1,809	8,446	-	7,144
Amount due to a former director/ shareholder	1,221	1,221	-	1,221
Amount due to subsidiaries	-	-	8,030	351
Amount due to associates	6,397	6,399	6,375	6,375
Amount due to a director and a shareholder of the Company	10,620	3,560	10,620	3,560
Deposits from Undertaking Shareholders	47,294	-	47,294	-
Deposit from Proposed Disposal	5,081	-	5,081	-
Tax payable	2,120	152	-	-
	<u>84,832</u>	<u>163,019</u>	<u>82,190</u>	<u>24,854</u>
<b>Net current assets/(liabilities)</b>	<b>36,540</b>	<b>38,924</b>	<b>33,997</b>	<b>42,626</b>
<b>Non current liabilities</b>				
Bonds payable	10,281	10,281	10,281	10,281
Interest payable	572	35	572	35
<b>Total liabilities</b>	<b>95,685</b>	<b>173,335</b>	<b>93,043</b>	<b>35,170</b>
<b>Net assets</b>	<b>31,526</b>	<b>35,143</b>	<b>25,144</b>	<b>35,042</b>



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## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018 (“3Q2018”)

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	31 March 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)	31 March 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Audited)
<b>Equity</b>				
Share capital	46,041	46,041	46,041	46,041
Reserves	(14,515)	(10,898)	(20,897)	(10,999)
Total attributable to equity holders of the company	<b>31,526</b>	<b>35,143</b>	<b>25,144</b>	<b>35,042</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>31,526</b>	<b>35,143</b>	<b>25,144</b>	<b>35,042</b>

### 1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

RMB '000	As at 31 March 2018		As at 30 June 2017	
	Secured	Unsecured	Secured	Unsecured
Bonds	-	-	-	-

Amount repayable after one year

RMB '000	As at 31 March 2018		As at 30 June 2017	
	Secured	Unsecured	Secured	Unsecured
Convertible Bonds(i)	-	10,281	-	10,281

#### (i) Convertible Bonds :

In connection with the Company's announcements dated 25 November 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 2 June 2017, the Company had on 2 June 2017 completed the issuance (the “**2017 CB Issuance**”) of 7.0% unsecured convertible bonds (the “**DJZ Convertible Bonds**”) due 2 June 2020 of an aggregate principal amount of S\$2,100,000 to Mr. Dai Ji Zhou (“**Mr. Dai Ji Zhou**”) pursuant to a convertible bond agreement dated 25 November 2016 entered into between the Company and Mr. Dai Ji Zhou (the “**CBA**”). The DJZ Convertible Bonds bear an interest rate of 7.0% per annum, which is payable quarterly in arrears.

The maturity date of the DJZ Convertible Bonds is three years from the date of the issue of the DJZ Convertible Bonds (the “**Maturity Date**”). Mr. Dai Ji Zhou may, in accordance with the terms and conditions of the CBA, at any time within the period commencing three (3) months from the issue date up to the Maturity Date, convert all or part of the outstanding DJZ Convertible Bonds into new ordinary shares in the capital of the Company (“**Shares**”) at the conversion price of S\$0.35 per share.



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## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018 (“3Q2018”)

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

<b>Consolidated statement of cash flows for the Group</b>				<b>3Q2018</b>	<b>3Q2017</b>
				<b>RMB'000</b>	<b>RMB'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Net Profit / (Loss) before taxation</b>				(4,023)	(2,201)
<b>Adjustments for:</b>					
	Depreciation of property, plant and equipment			596	-
	Interest income			(95)	-
	Interest expense			174	445
Operating profit/(loss) before working capital changes				<b>(3,348)</b>	<b>(1,756)</b>
	(Increase) in inventories			(60)	-
	(Increase) in prepayments and other receivables			(119)	(125)
	Increase in amount due to associates			-	-
	Increase in amount due to former director/shareholder			-	8,658
	(Decrease) / Increase in accruals and other payables			(6,443)	(938)
	Increase in tax payable			1,624	-
Cash generated from / (used in) operations				<b>(8,346)</b>	<b>5,839</b>
<b>Interest paid</b>				-	(400)
<b>Net cash generated from / (used in) operating activities</b>				<b>(8,346)</b>	<b>5,439</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
	Redemption of cash funds			6,003	-
	Proceeds from disposal of fixed assets			645	-
	Interest received			-	-
<b>Net cash (used in) investing activities</b>				<b>6,743</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
	Partial repayment of advances from director and shareholder			(791)	-
	Partial repayment of loans from third parties			(5,000)	-
	Refund of deposits to customers			(8,030)	-
<b>Net cash (used in) financing activities</b>				<b>(13,821)</b>	<b>-</b>



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<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				<b>(15,424)</b>	<b>5,439</b>
<b>Cash &amp; cash equivalents at beginning of the financial period</b>				<b>69,109</b>	<b>984</b>
<b>Cash &amp; cash equivalents at the end of the financial period</b>				<b>53,685</b>	<b>6,423</b>
Cash and cash equivalents comprise:					
Cash and bank balances :					
- Continuing operations				<b>53,685</b>	<b>6,423</b>
-					
Cash & cash equivalents at the end of the financial period				<b>53,685</b>	<b>6,423</b>



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1(d)(i) A statement (for the Company and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

### Statement of changes in equity for the Group and for the Company

#### Group

	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Merger Reserve	Statutory Reserve	Retained Earnings	Other reserve	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2015 (Restated)</b>	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,827)	-	15,486
Shares placements done in Feb 2015, April 2015 and Oct 2015	8,073	-	32,636	-	-	-	-	-	-	40,709
Disposal of QIL Group as approved in SGM on 2 Feb 2015	-	-	(13,967)	(1,216)	-	64,889	(45,303)	(4,403)	-	-
Total comprehensive loss for the period from 1 Jan 2015 to 30 June 2016	-	-	-	-	-	-	-	(28,393)	-	(28,393)
<b>Balance at 30 June 2016 (Audited)</b>	27,293	172,983	84,135	3,014	-	-	-	(259,623)	-	27,802
Shares placement done in June 2017	18,748	-	-	-	-	-	-	-	-	18,748
Total comprehensive loss for the year ended 30 June 2017	-	-	-	-	-	-	-	(11,407)	-	(11,407)
<b>Balance at 30 June 2017 (Audited)</b>	46,041	172,983	84,135	3,014	-	-	-	(271,030)	-	35,143
Total comprehensive income for FY2018 Q1, Q2 & Q3 ended 31 March 2018	-	-	-	-	-	-	-	(3,617)	-	(3,617)

**Balance at 31 March 2018**



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(Unaudited)	46,041	172,983	84,135	3,014	-	-	-	(274,647)	-	31,526
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Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
<b>Balance at 1 January 2015 (Restated)</b>	19,220	172,983	51,499	3,014	-	-	(285,277)	(38,561)
Shares placements done in Feb 2015, April 2015 and Oct 2015	8,073	-	32,636	-	-	-	-	40,709
Disposal of QIL Group as approved in SGM on 2 Feb 2015	-	-	-	-	-	-	54,047	54,047
Total comprehensive loss for the period from 1 Jan 2015 to 30 June 2016	-	-	-	-	-	-	(28,393)	(28,393)
<b>Balance at 30 June 2016 (Audited)</b>	27,293	172,983	84,135	3,014	-	-	(259,623)	27,802
Shares placement done in June 2017	18,748	-	-	-	-	-	-	18,748
Total comprehensive loss for the year ended 30 June 2017	-	-	-	-	-	-	(11,508)	(11,508)
<b>Balance at 30 June 2017 (Audited)</b>	46,041	172,983	84,135	3,014	-	-	(271,131)	35,042
Total comprehensive loss for FY2018 Q1, Q2 & Q3 ended 31 March 2018	-	-	-	-	-	-	(9,898)	(9,898)
<b>Balance at 31 March 2018</b>								





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(Unaudited)	46,041	172,983	84,135	3,014	-	(281,029)	25,144
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### UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018 (“3Q2018”)

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

#### 2017 CB Issuance

In connection with the Company's announcements dated 25 November 2016, 23 December 2016, 23 March 2017, 24 April 2017, 9 May 2017, 26 May 2017 and 2 June 2017 in respect of the proposed issuance of Convertible Bonds to Mr. Dai Ji Zhou for S\$2,100,000 (“**CB Issuance Announcements**”) and the circular dated 10 May 2017 (the “**2017 Issuance and Placement Circular**”), the 2017 CB Issuance was completed on 2 June 2017.

After the completion of the 2017 CB Issuance, on the completion of the conversion of the Convertible Bonds to Conversion Shares of a maximum of 7,260,000 Shares (in respect of both the principal amount and the full interest payable), the Conversion Shares will represent:

- (i) (1) approximately 14.38% of the existing issued and paid-up share capital of the Company as at 31 March 2017; and (2) approximately 12.57% of the enlarged issued and paid-up share capital of the Company as at 31 March 2017; and
- (ii) (1) approximately 8.49% of the existing issued and paid-up share capital of the Company as at 31 March 2018; and (2) approximately 7.83% of the enlarged issued and paid-up share capital of the Company as at 31 March 2018.

Save as set out under this Section 1(d)(ii), there are no other outstanding convertible securities and the Company did not have any other convertible securities as at 31 March 2018.

#### Proposed Rights Issue

Pursuant to the Company's announcement made on 11 December 2017, the Company had proposed to undertake a renounceable non-underwritten rights issue (the “**Proposed Rights Issue**”) of up to 85,500,000 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.112 (an equivalent to approximately HK\$0.65) for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company held by the shareholders of the Company as at a time and date to be determined by the Directors for the purpose of determining the entitlements of the Entitled Shareholders under the Rights Issue, fractional entitlements to be disregarded.

The issue of the Rights Shares is proposed to be made pursuant to the share issue mandate, with an enhanced rights issue limit, authorizing the Directors to issue up to 100% of the total number of issue Shares by way of a renounceable rights issue, on a pro rata basis to Shareholders (the “**Enhanced Rights Issue Limit**”), approved by Shareholders at the annual general meeting of the Company held on 31 October 2017 (the “**2017 AGM**”). The Company will be utilising the Enhanced Rights Issue Limit to issue the Rights Shares. Accordingly, the Company will not be seeking specific approval from the Shareholders for the Rights Issue as the basis of the Rights Issue is within the limit of the Enhanced Rights Issue Limit.

Subsequently, the Company has announced on 10 April 2018 that it has decided not to proceed further with the Rights Issue and has withdrawn its additional listing application in respect of the



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Proposed Rights Issue.

The Company has announced on 23 April 2018 that subsequent to the 10 April 2018 announcement, the Company has, on 23 April 2018, made full refund to the Undertaking Shareholders of HK\$55.85 million in aggregate (or the equivalent of approximately RMB 47.29 million) previously received from the Undertaking Shareholders in respect of their respective undertakings on the full subscription of their respective pro-rated entitlements to the Rights Shares and for any excess Rights Shares (where applicable), subject to availability, in connection with the Rights Issue.

The Company will keep its shareholders informed of any other fund raising initiatives in due course and announcements will be made as and when appropriate.

The Company did not have treasury shares or subsidiary holdings as at 31 March 2018 and 31 March 2017 respectively.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares as at the end of the current financial period and as at the end of the immediately preceding year is 85,500,000 and 85,500,000 ordinary shares, respectively.

The Company does not hold any treasury shares.

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and, in accordance with which auditing standard or practice.**

The financial information for the three months ended 31 March 2018 has not been audited nor reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the Company's most recently audited annual financial statements have been applied.**

The Group has adopted all the Singapore Financial Reporting Standards that are mandatory for financial year beginning on or after 1 July 2016.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 30 June 2017 including, but not limited to, the continual adoption of equity instead of full consolidation basis in the accounting of the Company's investment in the Rich Circles Group, despite the fact that the Company's shareholding in Rich Circles Group has been increased from 49% to 54.46% on 27 May 2015. Please see note 8 for further explanation.



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5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There is no change in the accounting policies and methods of computation, including any required by an accounting standard.

6. **Earnings / (Loss) per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3Q2018	3Q2017
<b>Basic (loss) per share (RMB cents)</b>		
From continuing operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	(4.71)	(4.36)
- Fully diluted	(4.56)	(4.16)
<b>Number of shares in issue</b>		
Current / weighted average number of ordinary shares in issue	85,500,000	50,500,000

7. **Net asset value (for the Company and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Company at the end of the:-**  
(a) **current financial period reported on; and**  
(b) **immediately preceding financial year.**

RMB Cents	The Group		The Company	
	31 Mar. 2018	30 June 2017	31 Mar. 2018	30 June 2017
Net asset value per ordinary share	36.87	41.10	29.41	40.98

**Note:-**

Net asset value per ordinary share of the Group/Company was calculated based on the 85,500,000 and 85,500,000 shares in issue as at 31 March 2018 and as at 30 June 2017, respectively.

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group’s business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

As reported in the results announcement for the year ended 30 June 2017, despite the fact that on 27 May 2015, the Company increased its shareholding in the Rich Circles Group from 49% to 54.46% or to 6,100 shares out of an expanded total number of 11,200 shares, the Company’s management has re-visited the issue of “control” as a result of the default in the prompt repayment of the SME Bonds by Xuzhou Zhongwei (which was issued before Xuzhou Zhongwei was acquired by the Rich Circles Group) on 28 March 2016 and has come to the conclusion that it is more appropriate to treat the Rich Circles Group as the Company’s associated company instead of a subsidiary, thereby adopting the “equity” instead of “full consolidation” basis of accounting for the Rich Circles Group’s financial performance, for the following main reasons :



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- 1) With effect from 28 March 2016, the date of default of repayment of the total amount of RMB 234 million SME Bonds (comprising the principal amount of RMB 180 million and interest accrued thereon of approximately RMB54 million from 28 March 2013 to 28 March 2016) to the respective SME Bondholders, the SME Bondholders have been in a position to take whatever proper legal action(s) in Xuzhou against Xuzhou Zhongwei for the recovery of the sums owing under the SME Bonds. Despite being in a position to take legal action against Xuzhou Zhongwei, the SME Bondholders have been willing to enter into negotiation with the Xuzhou Zhongwei local management and Ms. Li Ya Xin as Rich Circles Group’s major shareholder, in search for a mutually agreeable and acceptable solution. The SME Bondholders have not filed any legal action against the Rich Circles Group as the Rich Circles Group is neither a borrower under any financial facilities with the SME Bondholders nor a guarantor of the SME Bonds. The Company has been informed by the local management of Xuzhou Zhongwei that the daily operations of Xuzhou Zhongwei have been under observation by a major SME Bondholder (whose identity is not disclosed due to confidentiality terms under the SME Bonds) while in the negotiation, by the stationing of representatives on the premises of the factory of Xuzhou Zhongwei, until an ultimate solution or agreement has been reached by both Xuzhou Zhongwei and the SME Bondholders. The Company’s auditors have provided full disclosure of their audit findings on the SME Bonds, and the default in repayment thereof, in the Company’s Annual Report 2017 (under pages 28 – 30);
- 2) Ms. Li Ya Xin, the other major shareholder of the Rich Circles Group who has owned the remaining 45.54% of its shareholding with effect from 27 May 2015, had on 8 August 2014 granted an irrevocable Power of Attorney (“**POA**”) to Mr. Yuan Li Min (the then Non-executive Director of the Company) authorizing Mr. Yuan to represent her in all operational and control aspects of the Rich Circles Group for a period of 20 months. Such POA expired on 8 April 2016 and extension or renewal was not been granted by Ms. Li Ya Xin to Mr. Yuan Li Min or other legal representative of the Company. It is therefore apparent that the Company does not have any direct or indirect control through Ms. Li Ya Xin’s shareholdings in Rich Circles Group;

Subsequently, the Company has been informed by Ms. Li Ya Xin that she has granted a new irrevocable POA to her brother-in-law, a Mr. Wong who is a person unrelated to but having a very strong and friendly business relationship with the SME Bondholders and who shall work very closely with the SME Bondholders in the currently on-going negotiation about reaching a solution or agreement with the SME Bondholders as direct representative of Ms. Li Ya Xin. It is evidenced that Ms. Li Ya Xin will cooperate with the SME Bondholders under the proper legal framework in China. Whereas the Company effectively had 100% control of the Rich Circles Group through its 54.46% shareholding combined with the POA granted by Ms. Li Ya Xin to Mr. Yuan Li Min over, *inter alia*, her 45.54% shareholding in the Rich Circles Group, Ms. Li Ya Xin’s non-renewal / non-extension of such POA granted to Mr. Yuan Li Min has weakened the control possessed by the Company over the Rich Circles Group;

- 3) Due to the ongoing financial incapability of the Company and Ms. Li Ya Xin, it was obvious that the current shareholders of the Rich Circles Group will not be able to raise cash funds of as much as RMB 180 million for injection into Xuzhou Zhongwei to enable Xuzhou Zhongwei to repay the SME Bonds in the near foreseeable future. Accordingly, the local management including but not limited to Mr. Huo Wei Sheng, who is a current executive director of the Company and the legal representative of Xuzhou Zhongwei, has strong tendency to work closely with the SME Bondholders in all aspects of daily normal operations of Xuzhou Zhongwei to avoid the SME Bondholders taking legal actions against them; and



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- 4) The Company does not have substantive rights that provide the Company with the ability to exercise that right and to direct relevant activities in Xuzhou Zhongwei.

Accordingly, the management reached a consensus that it is more appropriate from the practical point of view and the current operational position that the Company will treat the Rich Circles Group as our associated company and adopt the “equity” accounting basis for recording Rich Circles Group’s financial performance for the financial year ending 30 June 2018, which is in fact consistent with the Company’s accounting treatment of the Rich Circles Group for the financial year ended 30 June 2017, for the 18 months’ period from 1 January 2015 to 30 June 2016 and the financial year ended 31 December 2014. While the Rich Circles Group is exempt from audit under the Ordinance laws of Hong Kong, the Company’s auditors have performed all necessary audit reviews and tests on the books and accounts of Rich Circles (an investment holding company ultimately owning the other companies in the Rich Circles Group) and China Construction Material (Hong Kong) Limited (“**CCMH**”) for the financial period ended 30 June 2016 and concurred with the management’s view and decision. Rich Circles and CCMH are 2 out of the 4 companies that constitute the Rich Circles Group, the other 2 being Zhongchuang (Xuzhou) Construction Material Co. Ltd. and Xuzhou Zhongwei. The situation of Rich Circles and the management’s point of view has not been changed since last reporting date till date of this results announcement.

The Rich Circles Group is owned by the Company (54.46%) and Ms. Li Ya Xin (45.54%) as mentioned above. The Rich Circles Group is operating and a going concern. Its current directors are Mr. Mak Tin Sang (as representative of the Company), Ms. Li Ya Xin (representing herself) and Mr. Yuan Li Min (as independent director). Mr. Yuan Li Min is a former non-executive chairman of the Company (until his resignation on 27 October 2015). Save for Mr. Mak Tin Sang (who has since resigned as Director on 23 April 2018), the directors of the Company have no relationship with the Rich Circles Group except through the Company’s shareholding therein.

As Xuzhou Zhongwei has defaulted in its repayment of the SME Bonds (due on 28 March 2016) to the SME Bondholders, the management is closely monitoring the progress of the abovementioned negotiations between Xuzhou Zhongwei and the bondholders to determine whether there will be any significant impact of the recovery of the Company’s RMB61 million loan from the Rich Circles Group.

As the abovementioned negotiations between Xuzhou Zhongwei and the SME Bondholders are ongoing, the details thereof are sensitive and not disclosable by the Company. Nonetheless, the Company will provide updates to shareholders on any material developments.

For detailed information on the matters in this Section 8(a), shareholders may wish to refer to pages 11 – 19 of the 2017 Issuance and Placement Circular (as released by the Company on 9 May 2017). Shareholders may also wish to refer to the the annual report of the Company for the financial year ended 30 June 2017 (“**2017 AR**”) and the Company’s response to further queries from the SGX-ST on the 2017 AR released by the Company on 6 November 2017.

Pursuant to the Company’s announcement made on 31 July 2017 (“**the Proposed Transaction**”), the Company had entered into a non-binding term sheet with (i) Mr. Huo Wei Sheng, a former executive director of the Company, and (ii) Ms. Li Ya Xin, a fellow shareholder of Rich Circles, for the proposed sale of the Company’s and Ms. Li Ya Xin’s shares in the capital of Rich Circles (the “**RC Shares**”) to Mr. Huo Wei Sheng. The Company currently holds 6,100 RC Shares and Ms. Li Ya Xin currently holds 5,100 RC Shares, representing 54.46% and 45.54% of the total issued and paid up capital of Rich Circles respectively. Rich Circles indirectly holds 100% of the shares in the capital of Xuzhou Zhongwei, which currently operates the materials business of the Group in China. The parties to the Term Sheet intended to engage in further negotiations of the Proposed Transaction, with a view to entering into definitive agreement(s) on or before 30 November 2017. However, the parties involved have agreed to discontinue further discussion on the Proposed Transaction following the Company



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entering into a sale and purchase agreement between the Company and Ms. Li Ya Xin on 20 November 2017 in connection with the disposal of the RC Shares which is further elaborated below.

Pursuant to the Company’s announcement made on 20 November 2017, the Company had entered into a sale and purchase agreement (the “**SPA**”) between the Company as vendor and Ms. Li Ya Xin as purchaser on 20 November 2017 in connection with the disposal (the “**Proposed Disposal**”) of 6,100 fully paid up ordinary shares in the share capital of Rich Circles Enterprise Limited (“**RCEL**”), which represents 54.46% of the share capital of RCEL. The Proposed Disposal will be conditional upon, *inter alia*, approval by shareholders of the Company in a general meeting to be convened by the Company. Shareholders are strongly advised to study the Company’s announcement released on 20 November 2017 on the Proposed Disposal in detail.

Subsequently, the Company had announced on 26 March 2018 that the Company and the Purchaser, Ms. Li Ya Xin, have agreed in writing to extend the Completion Date of the SPA to 26 June 2018 or such other date as the Purchaser and the Company may mutually agree in writing.

Thereafter, the Company further announced on 23 April 2018 that the Company has, on 20 April 2018, submitted the draft circular in respect of the holding of a shareholders’ special general meeting for obtaining necessary shareholders’ approval of the Proposed Disposal (the “**Circular**”) to the SGX for its clearance and in-principle approval (the “**Application**”). The Company had proposed, in the draft Circular, that the shareholders’ special general meeting be held in Singapore on 22 June 2018 for shareholders to exercise their rights to vote for or against (as the case may be) the Proposed Disposal.

On 15 May 2018, the Company announced that the SGX has, on 9 May 2018, rejected the Application. The SGX had earlier requested that the Company appoint an independent auditor to conduct a cash / transaction audit review (as applicable) in relation to: (a) the business currently carried on by RCEL and its subsidiaries, and (b) the operations of the Company’s new distribution business conducted by the Company’s wholly-owned foreign enterprise subsidiary, Shanghai Daiyoulong New Materials Limited (上海戴优垄新材料有限公司) (“**Shanghai Daiyoulong**”). The SGX has, on 9 May 2018, clarified that they require such audit reviews to be completed prior to the review of the Application by the SGX. Thereafter, the Company may proceed to resubmit the Application for review by the SGX.

The Company is currently in the process of arranging for the relevant audit reviews to be conducted, and will keep shareholders updated on this.

In connection with the above, the Company also announced on 15 May 2018 that the Purchaser and the Company have on 15 May 2018 agreed in writing to extend the Completion Date of the SPA to 26 September 2018 or such other date as the Purchaser and the Company may mutually agree in writing.

The Company will provide further updates to shareholders from time to time and further announcements will be made in relation to the Proposed Disposal in due course.

Despite the aforementioned Proposed Disposal, the local management of Xuzhou Zhongwei has also been in on-going negotiations with the SME Bondholders in hope of arriving at mutually acceptable commercial solution to the friendly settlement of the SME Bonds default issue. The management of the Company will also promptly inform shareholders on the progress and result of such negotiation as deemed appropriate from time to time.



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(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

### **Review of Financial Position**

**Revenue** of RMB 5.04 million (compared with nil for 3Q2017 ended 31 March 2017) was exclusively the sales revenue directly generated from the distribution sales of specially branded health supplement product made by Shanghai Daiyoulong, being the Company's wholly-owned subsidiary incorporated in Shanghai in March 2017 which is principally engaged in the distribution sales of the aforementioned specially branded health supplement product named “Jiajinyo” to customers in China. The sales activities have actually commenced in June 2017 and the revenue as reflected in the income statement represented the sales revenue generated in the months of January, February and March 2018.

**Other operating income** of RMB 95K (compared with RMB 350K for 3Q2017 ended 31 March 2017) mainly represented the interest income earned on the bank deposits and the return on investment in financial assets (cash funds) made by Shanghai Daiyoulong;

**Selling and distribution expenses** of RMB 409K (compared with RMB 280K for 3Q2017 ended 31 March 2017) mainly represented the expenses incurred in relation to the sales and marketing activities carried out by Shanghai Daiyoulong.

**Administrative expenses** of RMB 6.02 million (compared with RMB 1.83 million for 3Q2017 ended 31 March 2017) mainly includes staff salaries and directors' remuneration, office rentals and property management fees incurred by both the new corporate head office set up in Hong Kong and Shanghai Daiyoulong's new office set up in Shanghai, business travelling expenses, corporate action related expenses and professional fees incurred.

**Finance costs** of RMB 174K (compared with RMB 445K for 3Q2017 ended 31 March 2017) was mainly related to interest accrued on the 7% Convertible Bonds issued to Mr. Dai Ji Zhou on 2 June 2017 as described in detail in sub-section 1(b)(ii) on page 4 of this results announcement.

**Income tax expense** of RMB 0.74 million (compared with nil for 3Q2017 ended 31 March 2017) exclusively represented the income tax provision made in respect of taxable profits derived in the People's Republic of China (“PRC”) made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its three months' financial period ended 31 March 2018.

**Property, plant and equipment** of RMB 5.82 million as of 31 March 2018 (compared with RMB 6.52 million as of 30 June 2017) represented the net book value of office furniture and equipment and the furnishing cost of the Company's new headquarter office in Hong Kong of approximately RMB 1.99 million and the net book value of office furniture and equipment and the furnishing cost of Shanghai Daiyoulong's new operating office in Shanghai of approximately RMB 3.83 million.

**Inventories** of RMB 207K as of 31 March 2018 (compared with RMB 572K as of 30 June 2017) exclusively represented the cost of inventories of the product “Jiajinyo” and relevant product packing materials kept by Shanghai Daiyoulong as of 31 March 2018.

**Prepayments and other receivables** of RMB 6.46 million as of 31 March 2018 (compared with RMB 29.51 million as of 30 June 2017) mainly represented: (i) a deposit of RMB 4.0 million made by Shanghai Daiyoulong to Shenzhen Ximei (烯美科技(深圳)有限公司) for the placement of orders for the product “Jiajinyo”; (ii) approximately RMB 0.61 million being prepayments made to cooperative business partners for the entertainment and amusement projects entered into by the Company's subsidiary Asia Entertainment (Hong Kong) Limited; and (iii) approximately RMB 1.85 million being rental and utilities deposits and other prepaid expenses made by the Group.





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**Loan to an associate** of RMB 61.0 million as of 31 March 2018 (compared with RMB 61.0 million as of 30 June 2017) represented the operating loan extended to the Rich Circles Group as reported as of 30 June 2017.

**Cash funds** as of 31 March 2018 which were exclusively represented by the financial assets purchased by Shanghai Daiyoulong from reputable banking corporations in China with the objective of getting higher financial return for the Group on the cash possessed in its local bank account in Shanghai has been reduced to zero (compared with RMB 6.0 million as of 30 June 2017) as they have all been redeemed upon their maturity during the quarter ended 31 March 2018.

**Cash and cash equivalents** of RMB 53.69 million as of 31 March 2018 (compared with RMB 104.84 million as of 30 June 2017) mainly represented bank deposits in Singapore, Hong Kong and the PRC.

**Accruals and other payables** of approximately RMB 10.29 million as of 31 March 2018 (compared with 143.24 million as of 30 June 2017) mainly represented customers’ deposits received of approximately RMB 3.27 million for purchase of the product “Jiajinyo” from Shanghai Daiyoulong and other accrued operating expenses and professional expenses of approximately RMB 7.02 million at the Company’s level. Shanghai Daiyoulong has further refunded approximately RMB 8.03 million to customers in terms of deposit for purchase orders of products previously received from our local customers, further details is presented in the section “Review of Cashflow” below.

**Amount due to former director/shareholder** of RMB 1.22 million as of 31 March 2018 (compared with RMB 1.22 million as of 30 June 2017) represented amount due to Mr. Lin Dao Qin which is interest free and repayable on demand.

**Amount due to director/shareholder** of RMB 10.62 million as of 31 March 2018 (compared with RMB 3.56 million as of 30 June 2017) represented RMB 10.41 million due to Mr. Yuan Li Min and RMB 0.21 million due to Mr. Mak Tin Sang (who has since resigned as Director on 23 April 2018), which are both interest free and repayable on demand.

**Amount due to third parties** of RMB 1.81 million as of 31 March 2018 (compared with RMB 8.45 million as of 30 June 2017) represented amount due to independent third parties which are interest free and repayable on demand. During the reporting quarter, the Company has made partial repayment of RMB 5.0 million to the independent third parties.

**Amount due to associates** of RMB 6.40 million as of 31 March 2018 (compared with RMB 6.40 million as of 30 June 2017) was mainly due to the payment of costs and expenses by Rich Circles Group for and on behalf of the Company before the completion of the substantial fund raising exercises in June 2017.

**Taxes payable** of RMB 2.12 million as of 31 March 2018 (compared with RMB 152K as of 30 June 2017) exclusively represented the PRC income tax provision made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its nine months’ financial period ended 31 March 2018 less payments already made to the PRC Tax Authorities.

**Deposits from Undertaking Shareholders** of RMB 47.29 million as of 31 March 2018 (compared with nil as of 30 June 2017) exclusively represented the total deposits of HK\$ 55.85 million received from 5 undertaking shareholders (namely, Yong Tai Investment Company Limited, Mr. Hu Zhen, Mr. Li Zheng, Ms. Li Yu Huan and Ms. Dai Ju Yun) (the “**Undertaking Shareholders**”) in respect of their undertaking on the full subscription of their respective pro-rated entitlements to the Rights Shares and for any excess Rights Shares (where applicable), subject to availability, in pursuance of the Company’s Proposed Rights Issue as disclosed in the Company’s announcement dated 11 December 2017.



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However, as stated under section 1(d)(ii) on page 10 of this results announcement, consequent to the termination of the Proposed Rights Issue on 10 April 2018, the Company has made full refund of the above-mentioned deposits of HK\$55.85 million to the 5 Undertaking Shareholders on 23 April 2018.

**Deposits from Proposed Disposal** of RMB 5.08 million as of 31 March 2018 (compared with nil as of 30 June 2017) exclusively represented the goodwill deposit of HK\$ 6.0 million received pursuant to the SPA entered into between the Company and Ms. Li Ya Xin on 20 November 2017. This deposit will have to be fully refunded to Ms. Li Ya Xin in the event that the Proposed Disposal cannot be completed on or before the extended Completion Date of 26 September 2018.

**Bonds payable** of RMB 10.28 million as of 31 March 2018 (compared with RMB 10.28 million as of 30 June 2017) solely represented the principal amount of the DJZ Convertible Bonds issued to Mr. Dai Ji Zhou on 2 June 2017 (S\$2.10 million) after full settlement of the Straight Coupon Bonds due payable to Prime Pacific Investments Limited and the DJZ Convertible Bonds issued and due payable to Alternus in April 2017 and June 2017 respectively. (Please refer to section 1(b)(ii) on page 4 of this results announcement for more details.)

**Interest payable** of RMB 572K as of 31 March 2018 (Compared with RMB 35K as of 30 June 2017) solely represented the interest on the DJZ Convertible Bonds issued to Mr. Dai Ji Zhou accrued for the period from 2 June 2017 to 31 March 2018.

**Review of Cash Flow**

**Net cash used by the Group of approximately RMB 15.42 million in the reporting quarter are summarized as follows:**

During the quarter ended 31 March 2018, the Group has used a net amount of approximately RMB 8.35 million in operating activities mainly as a result of the operating loss incurred of approximately RMB 3.35 million, the increase in inventory of approximately RMB 60K, the increase in prepayments and other receivables of approximately RMB 119K, the net decrease in accruals and other payables of approximately RMB 6.44 million, and the increase in tax payable of 1.62 million.

During the quarter ended 31 March 2018, the Group has generated approximately RMB 6.74 million in investing activities mainly as a result of the redemption of cash funds of RMB 6.0 million, the proceeds received from the sales of property, plant and equipment of approximately RMB 0.65 million, and the receipt of interest income of approximately RMB 95K.

During the quarter ended 31 March 2018, the Group has used approximately RMB 13.82 million in financing activities as a result of the following major transactions:

- A) Refund of deposits to PRC customers of Shanghai Daiyoulong of approximately RMB 8.03 million on the basis of the professional advice given by the Company's PRC lawyer and tax consultant that the keeping of excessively large amount of customers' deposits for an unreasonably long period of time may expose the Company to unnecessary risks both in terms of possible queries from local tax and regulatory authorities of unreported sales transactions and unforeseeable cash custodianship problems.
- B) Partial repayment of amount due to a shareholder of approximately RMB 0.79 million.
- C) Partial repayment of loans received from an independent third party of RMB 5.0 million.

As a result of the above, the Group has reported a total cash and cash equivalent balance of RMB 53.69 million as of 31 March 2018 (compared with RMB 69.11 million as of 31 December 2017).



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**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

There are no variances between any forecast or prospect statements disclosed to shareholders and the actual results.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The financial performance of Xuzhou Zhongwei's New Material business for this reporting quarter has been continuously weak which was still mainly due to the sharp decline and close to termination of sale made to our two major customers namely Han Energy and Baota both of which have encountered unforeseen difficulties in their respective operations of different natures as reported in the past few quarters. At this point in time the local management is almost certain that the economic and operational recoverability of these two major customers and to provide promising prediction about the recoverability of the sales in Xuzhou Zhongwei's New Material Business in the next reporting period and in the next 12 months is very remote.

Similarly, as reported in the previous quarters, the development of the entertainment business by our Asia Entertainment subsidiaries has remained static in the reporting period due to the highly competitive market condition and the inability of the Company to inject massive capital or project investment funding typically required in achieving medium to long term success in this sort of business in Hong Kong. In particular, the lack of substantial additional cash funds to make further investments into this entertainment business is a practically unresolvable issue in the foreseeable future in light of the Company's inability to complete the several proposed fund raising exercises in the past few quarters. As such, the management does not anticipate that this entertainment business could have a surprisingly positive turnaround and considers that it is in the best interests of the Company for the Company to focus its efforts and to better allocate its remaining financial resources in the stabilization and development of the distribution business in China as mentioned below. Concurrently, the Company is seeking an opportunity to dispose of this inactive and continuously loss-making entertainment business at the best possible terms to the Company. The management will keep our shareholders updated on this from time to time.

Separately, as reported in the last quarters, the Group has incorporated a new wholly owned subsidiary in Shanghai, namely Shanghai Daiyoulong, which has already commenced its new active business in the distribution sales of a specially branded health supplement product called “Jiajinyo” in the PRC in the latter half of June 2017. The management notes that Shanghai Daiyoulong has thus far been able to achieve steady growth and sustainable sales revenue and reasonable gross profit contribution from this new business in the past reporting quarters.

In this reporting quarter, the Group has recorded a direct sales revenue of RMB 5.04 million and has reported a net operating loss after tax of RMB 4.02 million.

Looking ahead, the management is fairly confident and determined that the Group will continue to focus on the strengthening and steady development of this distribution sales business in China through searching for the supply of more promising and reliable new products for distribution sales purposes and through exploring strategic business partnership with industry leaders in China in order to enhance the sales revenue and profitability of the Group, and to achieve vigorous growth objective of this business for the next reporting period and the next 12 months. The Board will provide prompt updates on the development of this new business initiative as well as other promising business opportunities to our shareholders from time to time.



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- 11. Dividend**
- (a) Whether an interim (final) ordinary dividend has been declared (recommended)**
- No dividend was declared for the current financial period reported on.
- (b)**
- (i) Amount per share**
- Not applicable.
- (ii) Amount per share for corresponding period of the immediately preceding financial year**
- Not applicable. No dividend was declared for the corresponding period of the immediately preceding financial year.
- (c) Whether the dividend is before tax, net of tax or tax exempt.**
- Not applicable.
- (d) Date payable**
- Not applicable.
- (e) Books closure date**
- Not applicable.
- 12. If no dividend has been declared/recommended, a statement to that effect.**
- No dividend has been declared/recommendeded during the period.
- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**
- No general mandate from shareholders for interested person transactions has been obtained.
- 14. Confirmation by the Board pursuant to Listing Rule 705(5) of SGX Listing Manual**
- The Directors confirmed that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information of the Company and of the Group for the third quarter ended 31 March 2018 to be false or misleading in any material respect.
- 15. Confirmation pursuant to Rule 720(1)**
- The Directors confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.



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**BY ORDER OF THE BOARD**

Wang Jie Yao, Airy  
Chief Executive Officer & Executive Director  
15 May 2018